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~~SECURITY INFORMATION~~

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FAR EAST

3.3(h)(2)

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2. Chinese observed serving with Viet Minh:

3.3(h)(2)

[REDACTED] The US Consulate in Hanoi has received several eyewitness accounts of Chinese serving with the Viet Minh during recent operations in Tonkin. [REDACTED]

[REDACTED] told a Consulate official that fifty Chinese technicians definitely had been counted among Viet Minh forces near [REDACTED] the Consulate has submitted two reports 3.3(h)(2) that Chinese personnel, probably troops, had been seen, and one report of the capture of Chinese by French forces near Hanoi.

Comment: A number of recent reports state that Chinese troops have been, or soon will be, incorporated into Viet Minh units.

3.3(h)(2)

It has been accepted for some time, [REDACTED] that several thousand Chinese Communists have been serving with the Viet Minh as advisers and technicians, although this had never been confirmed by the actual observation of Chinese personnel. The above reports are the first convincing evidence of Chinese serving with the Viet Minh military forces.

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SOUTH ASIA

3. Indian Communists plan to assist in the "liberation" of Burma:

[REDACTED] The Indian Communist party is reportedly planning to begin an intensive revolutionary campaign in Tripura State, near the Burma border, next February, in preparation for the expected "liberation" of Burma in April. In this connection, the Indian press reports that several high-level Indian Communists have visited Tripura in recent weeks. 3.3(h)(2)

Comment: Though the nation-wide capabilities of the Indian Communist party are limited, it could at present probably create more trouble in the relatively inaccessible state of Tripura than in any other part of the country. This fact was recognized by the Indian Government last September, when it transferred its top anti-Communist police officer from the former Communist stronghold of Hyderabad State to Tripura.

NEAR EAST - AFRICA

4. Iranian Shah yields to Mossadeq's threats:

[REDACTED] Prime Minister Mossadeq told the Shah on 15 December that he was aware of Court intrigues against him and threatened to resign unless the Shah agreed to "play an absolutely passive role" during the elections. In spite of the pleas of cabinet members, Mossadeq remained adamant in his expressed intention to resign until he finally received assurances from the Shah that the latter would try to stop the Court intrigues and would give Mossadeq a free hand in the elections. 3.3(h)(2)

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Comment: The Iranian Minister of Court, Ala, had reported this same development to the US Ambassador on 16 December, without, however, indicating that the Shah had surrendered to Mossadeq. According to Ala, who acted as go-between for the Shah and Mossadeq, the Cabinet finally persuaded Mossadeq not to resign. Nevertheless, the fact that the Shah refused to take advantage of the opportunity to oust Mossadeq is indicative of his indecisiveness and weakness as pivot of the opposition.

3.3(h)(2)

[redacted] the Shah was considering leaving Tehran for Khuzistan in southwest Iran, and possibly leaving Iran from there, but it is unlikely that he would jeopardize the monarchy by taking such action at this time.

5. Egyptian King opposes breaking diplomatic relations with Britain:

3.3(h)(2)

Comment: Although the Egyptian Government has recalled its Ambassador to London, the British Foreign Office has stated it does not intend to withdraw its Ambassador from Cairo. King Farouk, who has maneuvered cautiously in the Anglo-Egyptian dispute, is in a position to exert strong influence on his government.

WESTERN EUROPE

6. France fears ultimate collapse of European trade liberalization:

3.3(h)(2)

France fears that the entire European trade liberalization program may collapse if it is forced to reimpose restrictions on European

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Payments Union trade. French officials feel that they may ultimately have to do so, and that in view of the recent intensification of British restrictions, such action might lead other member countries to reduce their liberalization lists. France has repeatedly pressed the US to urge Britain, West Germany and the Netherlands to restore trade liberalization.

Comment: The French position in the European Payments Union has deteriorated steadily since April 1951, resulting in a net deficit since October. While the recent US assurance of 600 million dollars for the first half of 1952 will tend to ease French dependence on European imports, France is experiencing increasing difficulty exporting to Payments Union countries because inflation has advanced prices more rapidly in France than elsewhere.

West Germany has already publicized its intention to resume liberalization in January, and the Dutch position has ameliorated sufficiently to permit similar action although no official move is yet indicated. The British are not expected to make any move to liberalize trading with Payments Union countries especially in view of the new government's decision to reduce the annual rate of non-sterling imports by nearly one billion dollars.

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